App. F. IX-4

1923:4 G.F. File No. 205-28

Previous References (G.F.)

Serial Nos. 1

Later References

Reserve
6.11.23

General and Revenue Secretariat.

P. 37 (E)

Serial Nos. Gne

Part B for Feb 2 1928

SUBJECT

Interest on investments of Paper Currency and Gold Standard Reserves.

AP

3604
X 4

G. R. S. III-2]

General and Revenue Secretariat.

92 File No. 265 of 1925

Serial No.

Interest on Investments of Paper Currency and Gold Standard Reserves.

---

1 The interest on investments of the Paper Currency Reserve was required by the Paper Currency Amendment Act of 1920 to be applied to the reduction of "created" securities of the Reserve and not to be credited to the general revenues. In the year ~~192~~ 1922-23, the operation of this provision was suspended and the interest was specially allowed, as a temporary measure, to be treated as part of the ordinary revenues. The suspension was continued in the year 1923-24 and in the Budget for 1924-25 also it has been proposed to be repeated. The diversion of this interest for purposes of ordinary administration has thus become a normal measure of the finances of the Government of India.

2 It is not in British India alone that the currency notes of the Government of India circulate and the interest on the fiduciary portion of the Currency Reserve really belongs to the whole of India including the India of Indian States. The monopolisation by the Government of India of the whole of the income from the investments of this Reserve cannot, therefore, be defended.

3 The Gold Standard Reserve has been built up out

NOTE—Contn. sheet.

Serial No.

out of the gains accruing from the value of the Rupee being in excess of its intrinsic or bullion value. The object of this Reserve is to support exchange and it was until recently, the policy of the Government of India to allow this Fund to grow and also add to it the income from its investments. This policy, however, was departed from in the year 1923-24 and the interest on the investments of the Fund was diverted for meeting the ordinary expenditure of the Central Government. When it was suggested in March 1922 in the course of discussion in the Legislative Assembly of the Central Government Budget for 1922-23 that the interest on the Gold Standard Reserve should be appropriated for covering the deficit of that year, Sir, Malcom Hailey, the Finance Member at that time observed that any such an diversion would be "act of spoliation". What was regarded as so reprehensible in March 1922 was seriously suggested by the Govermment of India themselves in March 1923 and Sir Basil Blackett proposed that the interest on the Gold Standard Reserve should be included in current revenues and utilised for covering the deficit of the year 1923-24. In the Budget for 1924-25, the same arrangement has been repeated and the interest on the Fund has again been appropriated for meeting the cost of the ordinary administration.

The

General and Revenue Secretariat.

52 File No. 205 of 1925

Serial No.

4 The Gold Standard Reserve, as stated above, is the result of the fictitious value given to the Rupee and the amount of this Fund is determined by the profits of coinage of the quantity of rupees in circulation throughout India. As in the case of the income from ~~the~~ investments of the Paper Currency Reserve, the interest earned by the Gold Standard Reserve is the property not of British India alone but also of the other parts of India which contribute their share to the formation of the Fund. The appropriation of the income of the Gold Standard Reserve for purposes of the Central Government alone is also, therefore, indefensible.

5 It is not necessary to discuss here the debatable question whether, as a measure of financial policy, it is sound or otherwise to divert the income of the two Reserves for the economically unproductive expenditure on ordinary administration. Right or wrong, the Government of India have been diverting these funds and frittering them away by treating them as items of ordinary revenue. The point of immediate importance to us is whether the Government of India are right in depriving us of our share of the income of the two Funds to which, it cannot be denied, ~~that~~ Mysore has made its own contribution.

NOTE—Contn. sheet.

The

G. R. S. III-2]

General and Revenue Secretariat. 82 File No. 205 of 1920

Serial No.

6 The only defence that can be put forward on behalf of the Government of India is that the divert-ed funds should be regarded as intended for affording military protection which is the foremost function of the Central Government. This defence cannot, I think, be urged to resist the claim of Mysore. Article 4 of the Mysore Treaty is definite on this subject and nothing more than the annual payment of Rs. 35 lakhs can be demanded from us on account of Army and Defence.

7 There is another provision in the Treaty which has also a material bearing on the subject now under discussion. According to article 12, Mysore is precluded from having a separate coinage of its own. With no separate coinage it is not possible to have a separate Note Currency and, as a matter of fact, we have no currency notes of our own. For whatever reasons we were prohibited from having our own coinage or currency, it cannot certainly be contended that the object of the prohibition was that the profits of the coinage and of the currency of Mysore should be enjoyed by the other parts of India. Article 12 contains the following provision:-

"All laws and rules for the time being applicable to coins current in British India shall apply to coins current in the said territories."

If

G. R. S. III-2]

General and Revenue Secretariat. | 82 File No. 205 of 1923

Serial No.

8 If, according to the laws and rules framed by the Government of India, that Government utilises for its ordinary administration the profits of coinage and of the connected currency operations, it stands to reason that the corresponding advantage determined in relation to the ~~d~~ circulation of coins and currency in Mysore should go to the latter.

9 The exact amount of income of the two Reserves which ~~has~~ been or is proposed to be diverted in the three years from 1922-23 is not ascertainable. But, I find from the connected literature that it is about Rs.13¼ crores and on the per-capita basis the share of Mysore will be about Rs.25 lakhs. It is unfair that the people of Mysore should be deprived of such a large amount in the imperceptible manner in which the arrangement is permitted to ~~obtain~~ operate now.

10 The question raised in this note is connected with the indirect contributions of Mysore to the Central Government but, in view of the fact that the diversion under consideration is recent, that it is against the policy of the Government of India themselves hitherto declared and observed, and that the appropriation started as a temporary measure for a year is being continued year after year, I think the question deserves to be raised independently

3654
(6)

G. R. S. III-2]

General and Revenue Secretariat. | File No. 205 of 1922

Serial No.

independently and pressed for some equitable solution. Whatever view the Government of India may hold, it is impossible for them to contend that Mysore has not contributed its share to the creation of the revenues of the whole of which is being monopolised by them. It may be difficult for the Government of India, in their present financial position, to give us any share of this revenue and they may also find it difficult to assess the exact share payable to us, but, it is for them to urge what reasons they have to justify their action. As far as we are concerned, our rights are indisputable especially in view of the definite money contribution which we are required to make towards Military Protection and also of the fact that we are prohibited from having our own coinage under the Treaty.

(7) The question is a very important one and the policy which the Government of India have adopted in this respect since 1922-23 is not altogether financially sound and I think it is necessary that we should put forward our claim. As the Government of India are pressing into service for purposes of ordinary administration, year after year, these sources of revenue the whole or which does not belong to the the occasion, is, I think, opportune for us to press our claim for a share of it.

D E W A N.)

27 MAR 1924
7017

NOTE—Contn. sheet.

General and Revenue Secretariat. | File No. 205 of 1923

Serial No.

12 I generally agree - but the question is whether the fund should be credited to the general revenues or whether it should be treated as a separate fund - or included in the claim for abolition of subsidy - or treated as a separate fund. I do not think it desirable to keep this fund as a separate item - the question may be taken for consideration.

GJ
7/3

13 The claim proposed to be preferred is to a temporary item of revenue. The Government of India have not declared that the income of these two funds should be credited to their general revenues as a permanent measure. On the other hand, they have been stating, year after year that the diversion is temporary. It is not therefore possible to ~~put~~ Commit this question with the Subsidy problem. ~~The two funds will be kept separate~~. In the draft ~~I have~~ put up I have only raised the general question and have not attempted to meet in anticipation, arguments

NOTE—Contn. sheet.

Serial No.

DEWAN'S OFFICE
REGD. O. 31. MAR. 1924
Reg. No 7102

arguments likely to be raised against us. It is best to formulate the claim in a general way and leave it to the Government of India to resist it; and, we can then see how best to meet the arguments urged against our claim. Spare copies are placed in the file.

DEWAN.)

30.3.24

3/3

14 may be omitted for consideration at an early meeting when

4

11.4

16 Forwarded to the Chief Secy with Compts

1/4/24

15 Circulate, making the necessary corrections in the spare copies of the Memorandum

3/4

CS

early
(For Disposal at a Meeting)

No. C. 410
1923-4

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the Schedule)

erest on investments of paper currency and gold standard

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

3rd April 1924

17 *Chief Secretary to Government.*

Extraordinary Member of Council.

First Member of Council.

Second Member of Council.

Third Member of Council.

3 10

Urgent List

Subject. -

r 410

Interest on investments of paper currency and gold standard reserves.

...

OPINION OF THE COUNCIL.

Submitted to His Highness.

...

These papers relate to the proposal of making a representation to the Government of India to give us a share of the interest income derived from the investments of the Paper Currency and Gold Standard Reserves, which is being treated in recent years as an item of ordinary general revenues, instead of being utilised for the legitimate purposes for which it is ear-marked, viz., for improving the backing of currency notes and supporting the exchange value of the rupee.

2. The Financial Secretary's note on the subject clearly explains the position. The matter was discussed in Council and the opinion then expressed was that our Subsidy representation should go first. It is now a matter for consideration whether the draft letter put up herewith may now be sent up, claiming a share in the income of the two funds. I think this may be done.

Bangalore,
24th June 1924.

24 JUN 1924

C.G.R.

Confidential

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Representation to the Government of India to give us a share of the interest income derived from the investments of the Paper Currency and Gold Standard Reserves.

969

Order.

G. R. S. III-2]

General and Revenue Secretariat. | P.C. File No. 265 of 1924.

Serial No.

No. Pol.1201 dated 30th June 1924.

To The Secretary to the Resident in Mysore.

Requests that the Mysore Government may be permitted to share in the interest income on the investments of the Paper Currency Reser

No. 6907/88-28/8/24.- from the Residency -

I put up the Residency letter dated 28th August 1924 received in reply to our letter dated 30th June 1924 requesting that we may be permitted to share in the interest income of th Currency and Gold Standard Reserves diverted fo wiping out the deficit of the Central Governmer

The Government of India state that they cannot accede to our request and in support of this refusal, they state that the Mysore Treat is silent on the subject of the payment by th Government of India of any share of profits o Coinage and on Note circulation. The reply this objection is that the Treaty does not pro vide for the appropriation by the Government of India of the profits on Coinage and Currenc in circulation in Mysore. On the other hand Article 12 of the Treaty provides that " all Laws and Rules for the time being applicable t coins current in British India shall apply to coins current in the said territories." If

sheet.

Serial No.

If, according to the Laws and Rules framed by the Government of India, that Government utilise for its ordinary administration, the profits of Coinage and of the connected Currency operations, it stands to reason that the corresponding advantage, determined in relation to the circulation of coins and currency in Mysore, should go to Mysore. It is certainly unreasonable to contend that profits made at the expense of Mysore should go to British India. If this was the intention, surely, it was important enough for a positive provision in the Treaty. I think it is not logical to argue that because there is no provision on this point in the Treaty, it means that the profits should go to the Government of India.

95 I can understand the Government of India arguing that as there is no positive provision in this respect in the Treaty, it is a matter for discussion and settlement now and also their pleading that this is part of the much larger problem concerning the financial relations of the Central and other Governments in India the decision of which presents difficulties. But, instead of taking up this reasonable attitude, they tell us that as there is no provi-

et.

sion

Serial No.

provision in the Treaty, they will themselves take the profits made at the expense of Mysore. This position is, I think, altogether untenable.

(c) The Government of India do not say that the income of the two Funds diverted for the exclusive benefit of British India does not contain a share contributed by Mysore. If that was the view held by them, they would certainly have told us that we had nothing to do with the income of the two Funds and that we were labouring under a misapprehension. They admit that there is the Mysore share in the amount used for covering the deficit of the Government of India but, they tell us that they cannot give it to us because there is no provision about it in the Treaty. As I have stated above, the Treaty does not require us to pay this amount in addition to the subsidy. If, however, the Government of India hold the view that we should pay both, it is best that they tell us so, so that we may know where we are. They do not make their meaning clear but, simply turn down our request because it is in their power to do so.

(d) The way in which the Government of India view our representations, however just and reasonable, is most unsatisfactory. Why Mysore

Serial No.

Mysore should continue to pay for the benefit of British India is a question which has to be answered I have dealt with this matter in Part 3 of my note on Mr. Seipmann's Report.

112 The reply of the Government of India evades the issue and it is, I think, necessary to press for a clearer statement of the position taken up by them.

DEWAN.) 113 Secretary. 30.8.24

114 Please circulate to for the Council & the

115 Secretary to the Chief Secy with compliments 1.9.24

CS

(For Disposal at a Meeting)

No. C. 64
9 1924-5

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the schedule)

Reply of the Government of India in the matter of giving the Mysore Government a share of the interest-income derived from the investments of the Paper Currency and Gold Standard Reserves.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

Chief Secretary to Government.

1st September 1924.

Extraordinary Member of Council.

2014
1-9-24

First Member of Council.

Second Member of Council.

Third Member of Council.

Not Considered on 18.9.24
19

Subject. - 4 5

Reply of the Government of India in the matter of giving the Mysore Government a share of the interest income derived from the investments of the paper currency and Gold Standard Reserves.

...

OPINION OF THE COUNCIL.

Not Considered on 9-6-25, 2-7-25 - Subject. -

Reply of the Government of India in the matter of giving the Mysore Government a share of the interest-income derived from the investments of the Paper Currency and Gold Standard Reserves.

...

OPINION OF THE COUNCIL.

To Bring up in April.

5.2.25.

To be brought up six months hence.

9.7.25.

7 Subject. = 2

C64 y24-25

Reply of the Government of India in the matter of giving the Mysore Government a share of the interest-income derived from the investments of the Paper Currency and Gold Standard Reserves.

....

OPINION OF THE COUNCIL.

Note.

This may be sent to Finl Sec for Submission to Dewan before going to Delhi.

686

Financial Secretary with Compts.

Serial No.

There are only a few more points which to be have/added to those mentioned in my previous notes:

(1) The Government of India have again, in the current year, diverted the interest on the two Funds to their Revenue Account and used it for purposes of ordinary administration.

(2) The Provincial contributions were reduced by Rs 2½ crores in the current year. The interest on the two Funds added on to the Revenue Account is not less than this amount. But for this addition, it would have been impossible to remit provincial contributions. What the Government of India have done is this: they have taken a revenue which belongs to all India including the India of Indian States and given it away to the British Provinces. This is very unfair. In the case of Mysore, at any rate, the unfairness of this arrangement is indisputable as the military obligations of the State ~~are~~ is defined in the Treaty and it is impossible to justify the addition of indirect contributions of this character to such obligations. We have been groaning under the injustice and the burden of old indirect contributions in the form of customs, salt, etc. and it is nothing short of confiscation

The net revenue from Currency and mints is about Rs 3½ crores. Surplus

Serial No. 58

This may be brought up again 6 months hence. If by then no further progress is made in repaying the Kindy Loan, I see no objection to Efficiency allowance

Y. 19.1.

59 Mem (9.1.26 By

Subs A1 file is enough Y 19/1

60 Subs with reference to above orders

Mem 19/1/26) HK 19726.

61) By 22/1

Secy)

2nd meeting 62). L 22/1/26. By

FINANCIAL SECRETARY 22 JULY 1926 No..

OFFICE OF THE SECOND MEMBER OF COUNCIL 23 JULY 1926 No. 485

FINANCIAL SECRETARY 28 JULY 1926 No. 98

63) In the current year again the Government of India have continued the same arrangement as will be seen from the following extract from Sir Basil Blackett's speech introducing the Budget for 1926-27:-

"Our estimates of revenue assume the continuance of the practice of appropriating to revenue the interest on the Paper Currency Reserve and the surplus of the Gold Standard

Serial No

confiscation to continue to impose on us new burdens of the same character.

(3) The Government of India are not in a flourishing condition of finances. They stand pledged to take off the provincial subsidies and in fact, they allowed a remission of Rs 2½ crores in the current year as stated above. The Provincial Governments will give the Government of India no peace of mind if further remissions are not allowed. The financial relations between the Provincial Governments and the Government of India are very much strained and the former are regularly carrying on an agitation to force the latter not only to forego the whole of the Provincial subsidies but also to permit them to have items of taxation like income-tax. In addition to this commitment, the Government of India have now promised to abolish the Excise Duty on Cotton Manufactures and this involves a sacrifice of about Rs 2 crores of revenue. The position in which the Government of India are placed will force them to continue in the future as well, divert the interest on these two Funds for purposes of ordinary administration, with the result that the loss inflicted upon us is neither small nor limited to ~~one or two years~~ a short period.

Dewan

11.1.26

DEPARTMENT OFFICE
RECD. ON 11 JAN. 1926
Reg. No. 5164

D808-41(x

WD 01264—GPB—40,000 -17-12-25

Serial No

Reserve over ~~for~~ £ 40 Millions ~~,00,000.~~ We may, I think, assume that whatever changes may be introduced as the result of the recommendations of the Royal Commissioner on Currency, the profits now obtained from these Reserves, whatever form they may assume, will not be substantially affected."

64 The question discussed in this file is part of the larger problem of indirect subsidies which the Government of India are taking from us. As the diversion of these items of interest contributed by the whole of India, for the exclusive benefit of British India is continued to be made, it is desirable to represent to the Government of India the unfairness of the arrangement to Indian States. and particularly to Mysore Mull 65 N 28.7.26 Dewan

D.O.No.8/Conf.

"BALLABROOIE",
Bangalore, 29th July 1926.

My dear Mirza,

66 With reference to these very interesting papers on the subject of the State's title to a share in the profits from the Currency Reserves, I should be disposed to advise deferring further action, at least for a short time, for the following reasons:-

(1) The case seems to be one of a general nature just as much as that of the claim to a share of the Customs revenue, and I do not think there is the remotest chance of your securing any redress.

(2) The Report of the Currency Commission, which is to be published in less than a week, may alter the whole position of the reserves in question.

and (3) Though the claim has very ingeniously been based upon the amounts temporarily diverted, it seems possible that, if you did induce the Government of India to argue it, they might retalia by inviting you to share the losses on the currency experiments, including the gigantic losses of 1920.

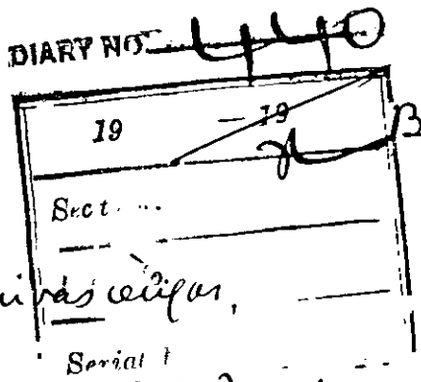
67 Thus, though a representation at the present time might result in a dialectical triumph, I think it is fairly certain that no further result could be expected. On the other hand, I think the case is pre-eminently one of those in which joint action might be effec I would suggest, therefore, that it should be given a prominent place in your memorandum for the Bikanir Conference, in which the whole question of the sharing of the profits on currency and excha is already mentioned.

68 11 Months with Compliments

Yours sincerely,

31.7.26

Amin - ul - Mulk
Mirza M. [illegible]ail, Esq., C.I.E., O.B.E.,
Dewan of Mysore,
BANGALORE.



Bangalore
31 July.

my dear Srinivasaraghavan,

I return Council file C 64 1924-25 after perusal. To enable me to put up a memorandum on the question I shall be glad if you can kindly have all the notes + the two letters in the file copied + sent to me, by Monday.

Yours sincerely
CR Balasundaramayya

A.
h
31.7.26

B SRINIVASIENGAR. Esq. B.A. B.L.
Financial Secretary to Government.

D 460 23

Office of the Financial Secretary to the Government of Mysore,

Dated, Bangalore, 2. 8. 26.

D.O.No. 16.

Immediate

Dear Sir,

With reference to your D.O.letter of the 31st July 1926, I send herewith a complete set of copies of all papers and the two letters referred to in the file relating to the Mysore's claim to the interest income derived from the investments of the Paper Currency and Gold Standard Reserves.

Yours sincerely,

2/8

FINANCIAL SECRETARY
2 AUG. 1926
No.....

C.S.Balasundaram Iyer Esq., B.A..,
Special Officer, Bangalore.

The D.O. issued. The file is ordered to be sent to the Branch.

Fin. Sec'y for 2nd Mr 2/8/26.

Submit to Asst Secy for perusal

2/8/26.

3/8/26

HM. 2826

2/8

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat

File No. 4 + 45 of 1923

Serial No.

71 I do not know if this question was discussed at the Bikanir Conference.

72 Sir Charles Todhunter urges three reasons for deferring further action:-

Reason No. 1. The case is a general one and the problem itself an all-India one. Prospect of redress may, therefore, be remote. We are quite aware of these features of the problem; vide para 10 of my note dated 26th March 1924.

Reason No. 2. The Report of the Currency Commission was published some time back but it has not prevented the Government of India from continuing their policy in this respect. This is what Sir Basil Blackett stated in introducing the Budget for 1926-27:

"We may, I think, assume that whatever changes may be introduced as the result of the recommendations of the Royal Commission on Curre the profits now obtained from these Reserves -- —Paper Currency Reserve and Gold Standard Reserve whatever form they may assume, will not be substantially affected."

Reason No. 3. I do not think what Sir Charles states here is correct. By "the gigantic losses of 1920" he refers to Reverse Bills, but the loss due to the sale of these Bills was met by the depletion of the Paper Currency Reserve to the building up of which Mysore had contributed its share. In fact our contention should be all

NOTE—Contn. Sheet

Serial No.

all the stronger on this account as it is obviously unfair that while we had to bear our share of the loss due to the frittering away of the Reserve, we should not be permitted to take our share of the profits from the Reserve, and the whole of such profits should be appropriated for the exclusive benefit of British India.

73 The Government of India continue to divert year after year these profits for ordinary purposes of administration and as stated in my note dated 28th July 1926, an item of revenue belonging to all India, including Indian States, is being used for the exclusive benefit of British India in the form of remission of the subsidies payable by the Local Governments according to the Meston Award.

Paras 63 & 64

74 The Government of India may have difficulties in complying with our request but they can not say that Mysore has not contributed its share to the building up of these Reserves or, if the profits from them should be diverted for current purposes of administration, we are not entitled to our share of such profits.

75 The Treaty has deprived us of the powers of Coinage and Currency and it does not provide for the profits from them being appropriated by the Government of India . As our military obligation is also fixed by the Treaty, it is grossly unjust to impose additional burdens upon us and to deny us a share of the profits under consideration is

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat | File No. 295 of 192

Serial No.

is to make us submit to a new burden altogether. The prospect of our succeeding in getting a share of these profits is remote. But I consider that the pressing of the claim will show how unfair the existing financial relations between the Government of India and the Government of Mysore are and what urgent need there is for reducing them to order by adopting a well considered system of federal finance.

DEWAN.)

5/11/26

[illegible]

FINANCIAL SECRETARY
13 DEC. 1926
No. 1824

[illegible]

Note—Contd. Sheet

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat

G.7 File No. 165 of 1923-

Serial No.

1x

Read 21.1.28.

This file was taken by Mr. Arunachalam from the Financial Secretary on 1.3.27. The file was received in the Branch on 19.1.28.

Submitted for orders with reference to para 76 of the notes. This file is required by the General Secretary

19.1.28

M.L. Seeny for perusal. M.V. 20/1/28

h 20/1/28

G. M. Branch M.V. 20/1/28

~~The file to be returned to the Financial~~

The file may be returned to the Financial Branch, as it is not required for the present.

P&R 82 28.2.28

NOTE—Contn. Sheet

Draft. Pol 1201 & 28 30/6/24.

To

The Secretary to the Hon'ble
the British Resident in Mysore,
BANGALORE.

Sir,

The interest on investments of the Paper Currency Reserve was required by the Paper Currency Amendment Act of 1920 to be applied to the reduction of the "created" securities of the Reserve and not to be credited to General revenues. In the year 1922-23, the operation of this provision was suspended and the interest was treated, as a temporary measure, as part of the ordinary revenues of the Government of India. The suspension was repeated in the year 1923-24 and it has been proposed to be continued in the year 1924-25 as well.

The interest on the Gold Standard Reserve was similarly treated as part of ordinary revenues in the Budget for 1923-24 and in the Budget for 1924-25, the same arrangement has been repeated,

The Government of Mysore have no separate coinage or note currency of their own and the coins and currency notes that circulate in the State are those of the Government of India and, accordingly, the quantities of ruppes and currency notes absorbed by the State have contributed their share to the creation of the Currency and Gold Standard Reserves. So long

long as these Reserves and the annual income from them were aar-marked for their legitimate purposes of improving the backing of currency notes and supporting the exchange value of the rupee, the Government of Mysore were as interested as the Government of India in seeing that these resources ~~fitted~~ fulfilled such purposes. The treatment of the interest income of these Reserves as an item of ordinary revenues has, however, altered the situation. It is ~~hardly fair~~ that ~~the~~ whole of such income to which the State has contributed its part, should be appropriated ~~by the Government of India~~ to the exclusive relief of tax-payers ϕ in other parts of India.

Under Article 12 of the Mysore Treaty, ~~Mysore~~ is precluded from having its own coinage and with no separate coinage, it has also no note currency of its own. Had the State its own ~~xxxxxxx~~ coinage and note currency, it could have, in circumstances of the kind in which the Government of India have found it necessary to utilise for purposes of ordinary administration, the profits of currency and rupee coinage, had recourse to a similar measure. The position in this respect, His Highness' Government consider, ought not to be different, because their coinage and currency operations have been taken over by the Government of India. The Government of Mysore stand in need of all the financial resources which properly

properly belong to them and it is not also reasonable that any part of such resources should be allowed to benefit others.

The Government of Mysore would request, in view of what is stated above, that they may be permitted to sharg in the income of the two Reserves diverted from 1922-23 and they will be much obliged if the Hon'ble the Resident will kindly extend his support to this representation and submit it for the favourable consideration of the Government of India.

I have the honour to be,

S i r,

Your most obedient servant,

3073/29

Financial Secretary to Govt.

No. 2907 Enclos.
88-1920.
Pol 280.

Dated Bangalore, 28th August 1924.

D. 808

From

A. N. L. Cater, Esq., I.C.S.,

Secretary to the Resident in Mysore.

28 AUG 1924

To

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Subject:—

Request of the Mysore Government to participate in the profits resulting from the currency operations of the Government of India.

Sir,

With reference to your letter No. Pol.1201/G.F. 205-23, dated the 28th/30th June 1924, I am directed to state that the Government of India regret their inability to accede to the request of the Mysore Government. They point out that the Mysore Treaty which precludes the Mysore State from having its own coinage is silent on the subject of the payment by the Government of India of any share from profits on coinage or from note circulation.

I have the honour to be,
Sir,
Your most obedient servant,

Cater

Secretary to the Resident.

28th June 1924.

A. N. L. Cater, Esq., I.C.S.,
Secretary to the Hon'ble the British Resident
in Mysore, BANGALORE.

The interest on investments of the Paper Currency Reserve was required by the Paper Currency Amendment Act of 1920 to be applied to the reduction of the "created" securities of the Reserve and not to be credited to General revenues. In the year 1922-23, the operation of this provision was suspended and the interest was treated, as a temporary measure, as part of the ordinary revenues of the Government of India. The suspension was repeated in the year 1923-24 and it has been proposed to be continued in the year 1924-25 as well.

The interest on the Gold Standard Reserve was similarly treated as part of ordinary revenues in the Budget for 1923-24 and in the Budget for 1924-25, the same arrangement has been repeated.

The Government of Mysore have no separate coinage or note currency of their own and the coins and currency notes that circulate in the State are those of the Government of India and, accordingly, the quantities of rupees and currency notes absorbed by the State have contributed their share to the creation of the Currency and Gold Standard Reserves. So long as these Reserves and the annual income from them were ear-marked for their legitimate purposes of improving the backing of currency notes and supporting the exchange value of the rupee, the Government of

of Mysore were as interested as the Government of India in seeing that these resources fulfilled such purposes. The treatment of the interest income of these Reserves as an item of ordinary revenues has, however, altered the situation. It is, therefore, legitimate to suggest that whole of such income to which the State has contributed its part, should not be appropriated to the exclusive relief of tax-payers in other parts of India.

Under Article 12 of the Mysore Treaty, the State is precluded from having its own coinage, and with no separate Coinage it has also no note currency of its own. Had the State its own coinage and note currency, it could have, in circumstances of the kind in which the Government of India have found it necessary to utilise for purposes of ordinary administration, the profits of currency and rupee coinage, had recourse to a similar measure. The position in this respect, His Highness' Government consider, ought not to be different, because their coinage and currency operations have been taken over by the Government of India. The Government of Mysore stand in need of all the financial resources which properly belong to them and it is not also reasonable that any part of such resources should be allowed to benefit others.

The Government of Mysore would request, in view of what is stated above, that they may be permitted to share in the income of the two Reserves diverted from 1922-23 and they will be much obliged if the Hon'ble the Resident will kindly extend his support to this representation and submit it for the favourable consideration of the Government of India.

I have the honour to be,

S i r,

Your most obedient servant,

FINANCIAL SECRETARY TO GOVT.